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Minilateralism à la Chine: Strategic Responsibility in Climate Change and Global Finance

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Minilateralism à la Chine

Strategic Responsibility in Climate Change and Global Finance

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Abstract

Minilateral arrangements are increasingly prevalent in global politics. Informal, non-binding coalitions of the interested are becoming the new multilateral. This phenomenon arises within the framework of a growing multipolar world, with rising powers acquiring new capacity and responsibility as leaders and norm challengers/setters in international regimes. This approach to international negotiation sits well with China's tradition of coalition forming through informal negotiations with 'like-minded states'. This paper examines China's participation strategies in the non-traditional security issues of climate change and global finance to demonstrate how China is assuming its rise in a peaceful, un-threatening way. Shifting between the convenient identities of a 'developing country' of the global South and a 'rising power' with influential powers in shaping international norms, these minilateral arrangements allow China to adopt various identities and maximize its interests internationally. China seeks to be perceived domestically and internationally as an economically sustainable and environmentally responsible power. In the cases of climate change and global finance China is leading a number of sub-groupings that hinder other countries of the global South from participating at the high table of climate change negotiations and economic global governance. Examples of this are varied. Among them are the BASIC group (Brazil, South Africa, India and China) of states within global negotiations on the United Nations Framework Convention on Climate Change (UNFCCC); and the International Financial Institutions (IFIs) such as the Group of 20 (G20), the BRICS (including the New Development Bank) and the Asian Infrastructure Investment Bank (AIIB part of China's Belt and Road Initiative, BRI).

Introduction

With the rise of China and increasing importance of the country in international relations, significant changes are taking place in the way in which Beijing behaves amidst key international regimes.[1] This is particularly so in what concerns economic regimes, as economic development and political legitimacy are inherently linked for the Chinese Communist Party (hereinafter CCP). This remains a sensitive issue in Chinese politics, particularly since the dwindling legitimacy of the CCP under the past two leaderships.[2]

Within the international regimes that are linked with economic development, the cases of climate change and global finance stand out. Both fields are rapidly evolving with on-going reforms and crossroad negotiations, making them attractive to rising powers such as China.[3] There is growing space for emerging powers to come into the traditional 'sphere of influence' of the so-called traditional powers.

In climate change, the Paris Agreement (2015) that came into force in November 2016, constitutes a landmark agreement, in which China played an unprecedented role. This had been preceded by the seminal Kyoto Protocol in 1997, which was in dire need of updating to reflect the needs of the times. The UN Framework Convention for Climate Change (UNFCCC signed in 1992), is an umbrella convention which provides a framework for formal and informal agreements. The agreements that preceded Paris were: the Kyoto Protocol (1997), the Copenhagen Accord (2009), the Cancun Agreement (2010) and the Durban Platform (2011). This framework structure of the convention allows for regulatory evolution and policy change to be gradually incorporated into agreements on climate change, making it also one that is particularly attractive to rising powers.

In terms of global finance, there are a variety of mushrooming institutions such as the Asian Infrastructure Investment Bank (AIIB) and the G20 that are changing the rules of the game. Bretton Woods institutions—the World Bank and the International Monetary Fund (IMF)—themselves going through structural reform processes, risk becoming obsolete. These shifts are further reflected in global financial investment and foreign aid patterns, which increasingly bear the imprint of rising powers.

Against this background, Beijing is exercising a strategic form of responsibility internationally in a way that its domestic economic development is not hindered. Climate change and global finance epitomise well how China is re-adapting its approach to multilateral fora and international politics to make the most of it. Yet Beijing's behaviour in global governance may seem incoherent or ambiguous, at best. In fact, it reflects an on-going struggle in how it presents itself to the world wanting, on one hand, to emphasize its importance, and a 'responsible stakeholder' in the international community, yet projecting itself as a peacefully developing country that poses no threat.[4] Along these lines, China sometimes defines itself as a developing country, fervent member of the global South; at others, however, it emphasises its emerging power status with a right to decision-making, if not so much burden-sharing.

In order to manoeuvre its way through the international fora in the midst of its shifting political identity, China has opted for formal and informal minilateral alliances. China allies with a broad spectrum of

[1] By regime, we understand 'principles, norms, rules and decision-making procedures that govern state behaviour in specific areas of international relations' (Krasner 1983:2). The choice of the term regimes vs. orders is based on a combined rational and normative approach by the authors of this piece when it comes to analysing international relations.
[2] Deng Xiaoping pushed forward economic development to replace ideology under his leadership. This was a move away from the Mao Zedong's time when ideology defined the direction for the CCP. This was even more pronounced after the collapse of the USSR, when communism further lost its currency. Under the past two leaders (Jiang Zemin and Hu Jintao) the leadership was also getting more professionalized and less charismatic in character in comparison to earlier leaders of the PRC.
[3] It is acknowledged that 'rising powers' and 'emerging powers' is used in the literature. For the purposes of this paper, we are using rising powers and emerging powers interchangeably.
[4] Robert Zoellick, former USTR representative pressured China on this point, particularly in relation to the WTO.

countries, often with developing and emerging ones, but sometimes also with developed countries. Minilateralism allows Beijing to play by the rules *à la Chine*, discretely stepping to the side or encouraging reform when convenient. In the case of climate change, China has been fundamental in enabling a breakthrough deal in Paris during the 2015 Conference of the Parties 21 (COP21). China opted for alliances with the BASIC group (Brazil, South Africa, India and China), with the Like-Minded Developing Countries on Climate Change (LMDC)[5] grouping, with the US and host-state France, prior to the Paris COP21 summit of December 2015. The outcome was advantageous for China—structurally favouring a more bottom-up approach, which allows China to remain in control of its emissions targets and mitigation strategies.[6] The many fronts in which China is operating demonstrate Beijing's leveraging strategy and how it has become skilled at playing off different countries against each other, to its advantage.

Beijing's pro-active behaviour and choice of a minilateral way in the international politics of climate change is not an isolated phenomenon. China has recently become much more engaged in global finance matters as well. It is not doing so by strictly following the norms or mandate of Bretton Woods' institutions. Instead, Beijing has opted to play a key role in G20 minilateral negotiations, coinciding with its chairmanship of the institution, as well as in the creation of key new international financial institutions. China seeks to consolidate itself as the leading promoter of infrastructure investment finance, which lies at the heart of its historical approach to foreign economic assistance. These include the AIIB (100 billion USD), NDB (50 billion USD) and Silk Road Fund (40 billion USD) (Yang, 2016). In fact, China has taken a bold step forward by pushing for infrastructure financing as the core for the new AIIB, which has welcomed members beyond the minilateral sphere that China began its initiative with.

The headquarters of the AIIB are in Beijing, and its current President, Jin Liqun is a Chinese national.[7] China putting down 30 percent of its base capital (29.78 billion USD), signals its strong wish to take the lead and challenge the institutional and normative context of the traditional economic powers, as embodied in the Bretton Woods system. The AIIB is structured in a manner that gives China more weight and influence over the institution, as best reflected in its voting system. China has a 26 percent of overall voting share in the AIIB, compared to its 6.11 percent in the IMF, which is a mighty improvement (Lee, 2016). China's voting share of 28.7 percent is placed slightly higher than the 25 percent needed to block any decisions in the AIIB. India is the only country following in terms of voting power in the AIIB, but it only has 8.3 percent of the voting share, paling in comparison to China (Weiss, 2017).

Amidst the discussions on World Bank and IMF reform, when one considers that the US has 16.58 percent voting share in the IMF and is criticised for having too much power, the new China led AIIB appears to accord China with more power than the US ever had in the Bretton Woods system. The lending decisions in the AIIB require 75 percent of the vote (compared to 85 percent in the IMF), in effect providing China with 'veto-power'. More importantly, the AIIB is the result of something much bigger in Beijing's current foreign policy plans, namely the 'Belt and Road Initiative' (BRI), previously known as the 'One Belt, One Road (OBOR)'.

Traditionally, Beijing has avoided taking excessive international responsibilities, has refrained from making grand proposals and has side-tracked initiatives that would harm its interests. Thus, we see China's involvement in the global finance and climate change regimes as evidence of its attempt to become much more visible and involved internationally. Reflecting this, both public discourse and the

[5] 'The Like-Minded Developing Countries on Climate Change (LMDCs) is a spontaneous coalition of 24 countries created at the Bonn Climate Change Conference in May 2012. It is part of G77+China and aims to strengthen and unify that group. It comprises several Arab countries, as well as India, China, several emerging Asian economies and some active parties from the Caribbean and South America, including Venezuela, Bolivia and Cuba. The group, which brings together over half of the world's population, has no official presidency but Malaysia acts as its spokesperson'. See 'Paris 2015 UN Climate Change Conference', available at http://www.cop21.gouv.fr/en/whats-the-use-of-the-country-coalitions/

[6] Kyoto Protocol was a more top-down structure with countries having less control in comparison to the Paris Agreement.

[7] See the AIIB website at: http://euweb.aiib.org/html/aboutus/President/?show=0

academic debate on China's international relations after the 2008 Beijing Olympics, have underwent a noticeable change in tone and substance, moving away from the idea of 'China's rise' and focusing more on 'China's assertiveness and confidence' (Johnston 2013.) China's turn towards actively participating and shaping minilateral arrangements may be signalling a point of no return in the nature of its engagement in global governance. Beijing is here to stay. However, there are several questions that remain unclear: What will be the form and substance of Beijing's engagement? What agenda does China bring to the high table of global governance? We will seek to answer these questions by examining the intricacies of key institutions within the international climate change and global finance regimes.

Minilateralism and its implications for China

Minilateralism is a rather ambivalent term with a number of definitions. According to Naim (2009), minilateralism is characterized by bringing to the table the smallest number of countries needed to have the largest possible impact on solving a particular problem. Implicit in this definition is the fact that this small number must entail one/two actors that hold substantial power in order for the intended outcome to materialize. In fact, Hampson and Heinbecker (2011) highlight how minilateralism is advanced through group interactions that usually involve the most powerful actors in the international system. Kahler (1992) remarks that institutions are becoming 'minilateral' and less universal. In the climate change and global finance regimes, one of the most powerful actors among the game-changing minilateral groupings—be it BASIC, the LMDCs or the BRICS—is China, with India, Brazil and South Africa lagging somewhat behind. Minilateral groupings can be offshoots of existing multilateral arrangements or they can represent independent entities, as is the case of BRICS. In addition, there can be considerable interaction between minilateral groups.[8]

Minilateral arrangements come with a set of advantages that suit China's negotiation style; they facilitate consensus-based decision-making and allow the country to retain control. Decisions taken following consensus take much more time but they allow for the parties to save face, which is crucial in Chinese negotiations. Moreover, minilateralism involves sophisticated corridor diplomacy, which very much fits into Beijing's diplomatic ways. China has traditionally preferred conducting negotiations in bilateral or small groups, which allows the country to retain control and save face; such bilateral or small group negotiations often run parallel to multilateral negotiations. This allows Beijing to coordinate positions in multilateral settings, and find support for its negotiating positions.

'Saving face' is a serious concern in Chinese culture, equally important for Beijing's diplomatic conduct (Gries, 2004). When the country 'loses face', it tends to run itself into a corner and assume an inflexible and defensive stance, creating a stalemate that neither China nor the other countries desire, and one that is difficult to resolve. This was witnessed in the Permanent Court of Arbitrations' decision on the South China Sea in July 2016, when China refused to accept the result, leaving no resolution in sight (Perlez, 2016).

China is not the only emerging power that has opted for minilateral arrangements. In fact, other emerging powers seem equally attracted to them. Their recent ascendancy makes these countries prone to being cautious of any external interference and to opt for small group negotiations and coalition building. This kind of 'clubs' are particularly appealing since they provide emerging countries with much sought means of influence on international decision-making processes. It further provides them with access to the high table of international politics and a stronger voice in negotiations, by enabling coordination with similar-minded states. Multilateral organisations such as the United Nations and the Bretton Woods institutions are often accused of being dominated by the traditional great [Western] powers. These institutions, critics argue, do not reflect the growing international leverage that emerging and developing countries have in the context of a global shift in the balance of power from the West to the East.

[8] BRICS was an important venue for the BASIC and policy coordination in finance, climate change and trade.

From a pragmatic standpoint, in a minilateral forum, decisions can be taken more effectively and operationalised more efficiently. Chances are that interests and agendas are more closely aligned, which translates into improved capacity to implement decisions. The outcome of the COP21 Paris summit (December 2015) is proof of this. It would not have been possible to reach an agreement, had sub-groupings such as the preliminary 'G2' (China and the United States) or the LMDCs—which includes key BASIC members - not come about and agreed to move forward as a common front.

There are, nonetheless also a number of risks involved in minilateral groupings, such as the lack of legitimacy and representativeness when compared to bigger fora, e.g. the G20 vs. the UN; the BASIC and/or LMDCs vs. the G77 + China.[9] There is also the risk of exclusion of not-so-powerful players, e.g. low-income countries and countries with less leverage. This explains the mushrooming of sub-groupings such as the Umbrella Group, a loose coalition of non-EU developed countries that opposes extending the Kyoto Protocol and was formed against the backdrop of climate change negotiations.

The climate change regime epitomises well how the emergence of infinite sub-groupings has become a challenge in itself, since it risks spreading agendas and common objectives too thin to achieve any given goals. It can also incentivise swindling behaviour of countries resulting from intra-group divisions. This was the case of BASIC members: they fluctuated between their BASIC membership and that of the G77+China and the LMDCs in the framework of climate change negotiations. This particular aspect is discussed in further detail in the following pages.

China's manoeuvring within climate change—implications for Beijing's behaviour internationally

Emerging Minilaterals in the Climate Change regime

The UNFCCC has been a controversial convention from the outset. When holistic agreements on the environment were concluded in Stockholm (UN Conference on the Human Environment 1972), the environment was becoming an important issue on the UN agenda, and by Rio (UN Conference on Environment and Development, 1992) the North and South divide was crippling the progress of defining and implementing measures for sustainable development. Like most UN negotiations, the G77 was one of the most important coalition groups for the global South, and China often aligned itself with this group.[10] When China joined the UN in 1971, the environment was a key area where it could begin to partake in international negotiations. By Rio, China had become a leading voice and actor in the G77, helping to successfully conclude the two framework conventions—one on climate change and the other on bio-diversity.

In the early years of the UNFCCC, China was still hitting its double digits for economic growth and was on the way to becoming a key economic power. By the late 1990s, China's economic rise was undeniable; its comparative advantage in manufacturing had transformed its industry into the so-called 'Factory China', which provided the world with its manufactured goods. As shown in Graph 1, this furious economic activity brought forth rising emissions; a reliance on fossil fuels making up three-quarters of the country's energy portfolio, and total emissions developing at a rapid rate. In order to ensure that China's economic development was not capped, the negotiators for the UNFCCC identified with the global South to emphasize historical responsibility, placing the burden for addressing climate

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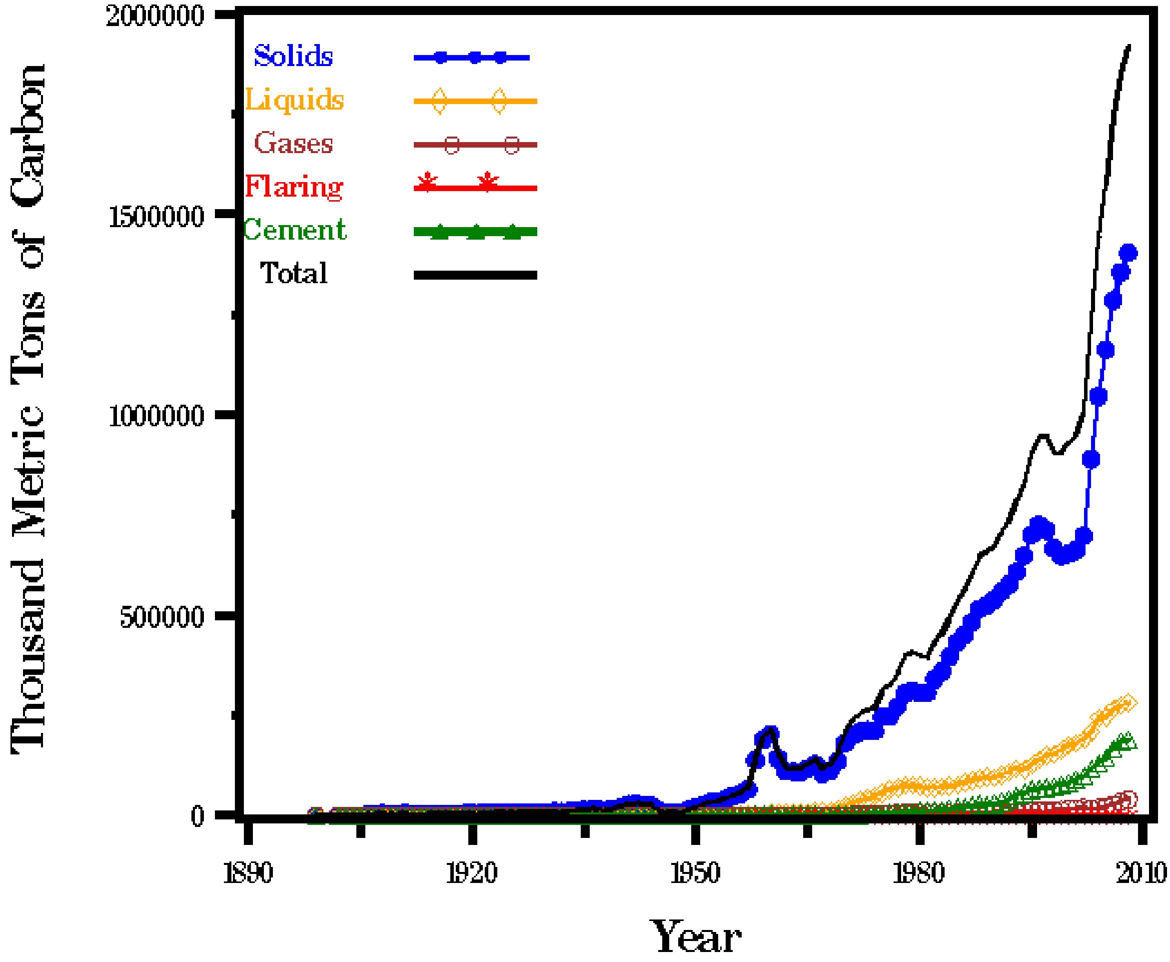
[9] The G20 refers to the meeting of Finance Ministers and not the developing country coalition group of G20 in the WTO.

[10] The G77 and China was established in 1964 by 77 countries signing the 'Joint Declaration of Seventy-Seven Countries' issued at first session of UN Conference on Trade and Development (UNCTAD). Although there are 132 member states, they have retained their original name of G77. The G77 and China aims to promote developing country interests in UN negotiations and South-South cooperation. There are subgroups in the G77 – BASIC, Least Developed Countries, African Group, AOSIS, ALBA (Bolivia, Venezuela, Ecuador, Cuba and Nicaragua) and OPEC.

change on the developed countries that had already gone through their trajectory of development and were deemed to be at a ripe stage to tackle climate change 'adaptation' and 'mitigation'.[11]

Graph 1 China's Carbon Dioxide Emissions per Year from 1890 to 2010 (measured in thousand metric tons)



Source: Carbon Dioxide Information Analysis Centre, Fossil-Fuel CO2 emissions from the People's Republic of China, available at http://cdiac.ornl.gov/trends/emis/prc.html

Under the Kyoto regime (Kyoto Protocol), the Chinese delegation pushed for 'common/ but differentiated responsibility', with the Annex 1 (developed countries) and non-Annex 1 (developing countries) distinction, placing responsibility on the Annex 1 countries to finance climate change abatement and mitigation. As famously stated by the former lead negotiator of the Chinese delegation to the UNFCCC, Zhong Shukong, the 'luxury emissions' of the developed world, such as SUV and multiple cars in a household should be capped by the UNFCCC, while the 'survival emissions' of the developing world, such as buses and public transport should be allowed since development and poverty alleviation was a bigger priority for these countries (Warrick, 1997).[12]

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[11] *Adaptation* refers to initiatives aimed to lessen the adverse impact of climate change, while *mitigation* refers to initiatives aimed to reduce the emissions of greenhouse gasses.

[12] Zhong Shukong was an active negotiator for climate change until his death in 2000.

The result of this was a triumph for the G77 and China. The Kyoto Protocol incorporated these principles with the North paying first in the form of immediate caps on emissions, while the South was exempted from such caps and received substantial financing and support from developed countries. Support received included economic incentives such as Clean Development Programme (CDM), under which developed countries financed emissions reduction projects in developing countries such as China. The Clean Development Mechanism enabled developing countries to access environmental technologies and know-how, while the emissions were credited back to developed countries, thus creating a so called 'win-win' situation.

However, the Kyoto mechanisms (Emissions Trading, Clean Development Mechanism) were far from perfect, raising ethical issues regarding the introduction of market mechanisms into environmental protection. The 'Kyoto Firewall' dividing the commitments of the developed and developing countries became a very problematic construction, particularly creating a deadlock between the global North and South. Emerging powers such as China, India, Brazil and South Africa were not willing to cut their emissions without a 'meaningful' contribution from Annex 1 countries, having had a growth spurt in emissions due to their meteoric economic rise in the late 1990s and 2000s. The precise definition of this 'meaningful' contribution became a focus of COP debates in the lead-up to Copenhagen in 2009 where an agreement to succeed Kyoto was expected to be reached.

Due to their emissions size as well as their importance for reaching and implementing any future agreements on climate change abatement and mitigation, China and the emerging powers were separated from the other non-Annex 1 countries and became the focus of negotiations. This kind of attention made China very uncomfortable; any damper on its economic development was something detrimental for the survival of the CCP, whose legitimacy was very much tied to economic development. There were also some issues with the use of absolute emissions as the measurement of a country's emissions in the UFCCC negotiations: per capita calculations were the preferred method for China and other developing countries, which would make the rankings for emissions quite different, placing China much lower in rank for emissions.

In Copenhagen, former Premier Wen Jiabao gave a speech which emphasized China's identity as a developing country with 150 million people below the World Bank's poverty line of US 1.25 dollars a day (Wen, 2009).

> China has a 1.3 billion population and its per capita GDP has only exceeded 3,000 U.S. dollars. According to the U.N. standards, we still have 150 million people living below the poverty line and we therefore face the arduous task of developing the economy and improving people's livelihood.
>
> (Wen, 2009)

Some non-Annex 1 countries, namely the emerging powers and OPEC states, intended to keep developing countries from committing to emissions caps, while the Alliance of Small Island States (AOSIS), facing an imminent existential threat from climate change, advocated the opposite. This created a wedge amongst the non-Annex 1 countries.[13] China's actions and the outcome in Copenhagen were predictable; China rounded up the emerging powers by calling a Conference in Beijing on 28 November 2009, weeks before the Copenhagen Earth Summit. The result of these minilateral negotiations were the BASIC group, a loose cooperative coalition and forum for discussion for climate change, that held ministerial and technical level meetings three to four times a year. The coalition

[13] AOSIS is a coalition group of 44 low-lying, small island countries vulnerable to a-level rise. Most of the countries in AOSIS are in the G77, and present tensions with the other developing countries, which want to push for more developmental rights (AOSIS website http://aosis.org/about-aosis/)

resisted pressure for emissions caps from Annex I countries. It is an influential coalition with the BASIC countries accounting for 29 percent of global GHG emissions and 60 percent of the total annual GHG emissions coming from non-Annex 1 countries (Hallding, Olsson, Atteridge, Carson, Vihma, & Roman, 2011).

There was more of an overlap of interests in the BASIC group when compared to the large, unwieldy, coalition group of the G77 and China (Hochstetler, 2012; Hochstetler & Manjana, 2015). China's importance and impact on climate change accorded it veto power in the BASIC coalition (Filho and Viola 2011). The creation of the BASIC group played a key role in the outcome of the 2009 COP. The Copenhagen Accord was a political, non-binding agreement lacking in teeth when compared with the Kyoto Protocol, a legal agreement with binding commitments. The minilateral strategy of China was successful in stalling the climate change negotiations, with the Paris Agreement taking another six years to be concluded in 2015 and only coming into force on 4 November 2016.

Copenhagen to Paris

The strategy of China until Copenhagen was to associate itself with the global South by aligning with the G77. When China began to rise as an emerging power, it became less comfortable for the country to align with the G77. This was compounded with divisions within the G77 between the AOSIS, that faced the risk of disappearing underwater due to sea level rise, the OPEC countries and emerging powers. The latter wanted to avoid any constraints for their oil exports and economic development. While the BASIC group was very visible in Copenhagen, there was not much coordination between its members in the multilateral negotiations after Copenhagen, despite the existence of periodical meetings to align their positions.

Only five years after Wen Jiabao made a speech in Copenhagen emphasizing the country‘s identity as a country of the global South, China signed a Climate Change agreement with the US, one of the largest emitters of the developed world/global North in November 2014. The US-China Climate Change agreement, and to a lesser extent the China-France Climate Change agreement (November 2014), while formally not part of the UNFCCC, were key for the successful conclusion of the Paris Agreement in 2015. It would not be an exaggeration to state that it was only because of this US-China minilateral initiative, and the alignment of the US and Chinese positions during the Paris negotiations, that the Agreement could be concluded in 2015. This flip-flop of Chinese identity and alignment from global South to North, entering into minilateral agreements with some likely and unlikely partners, enabled China to maximise its national interests. China strategically chose its partners to suit its needs, creating a pattern in its behaviour during climate change negotiations.

Under Trump, there is a dramatic shift of the US from being a leader to becoming an obstructionist laggard in the UNFCCC. On the contrary, China is an active supporter of the Paris Agreement, with Xi Jinping repeatedly re-affirming his support. The result is that China is now emerging as an unlikely 'leader' in the global effort against climate change.

Why minilaterals? China's importance and 'perceived' importance

China ranks 1st in emissions of greenhouse gases and is responsible for a quarter of the world's total. China and India are the 1st and 3rd biggest emitters of CO2 with 28 percent and 6 percent of the global emissions respectively, demonstrating the important of the two countries in climate change. This stems from the fact that China and India are the two most populous countries, making up roughly 19 and 18 percent of the world population, respectively.[14] China together with India contribute to half of the Non-

[14] Based on *United Nations Population Division* data, Countries in the World by Population (2016), World o Meters at: http://www.worldometers.info/world-population/population-by-country/

Annex 1 emissions, which shows their significance in the non-Annex 1 developing country group, and by extension, in the UNFCCC.

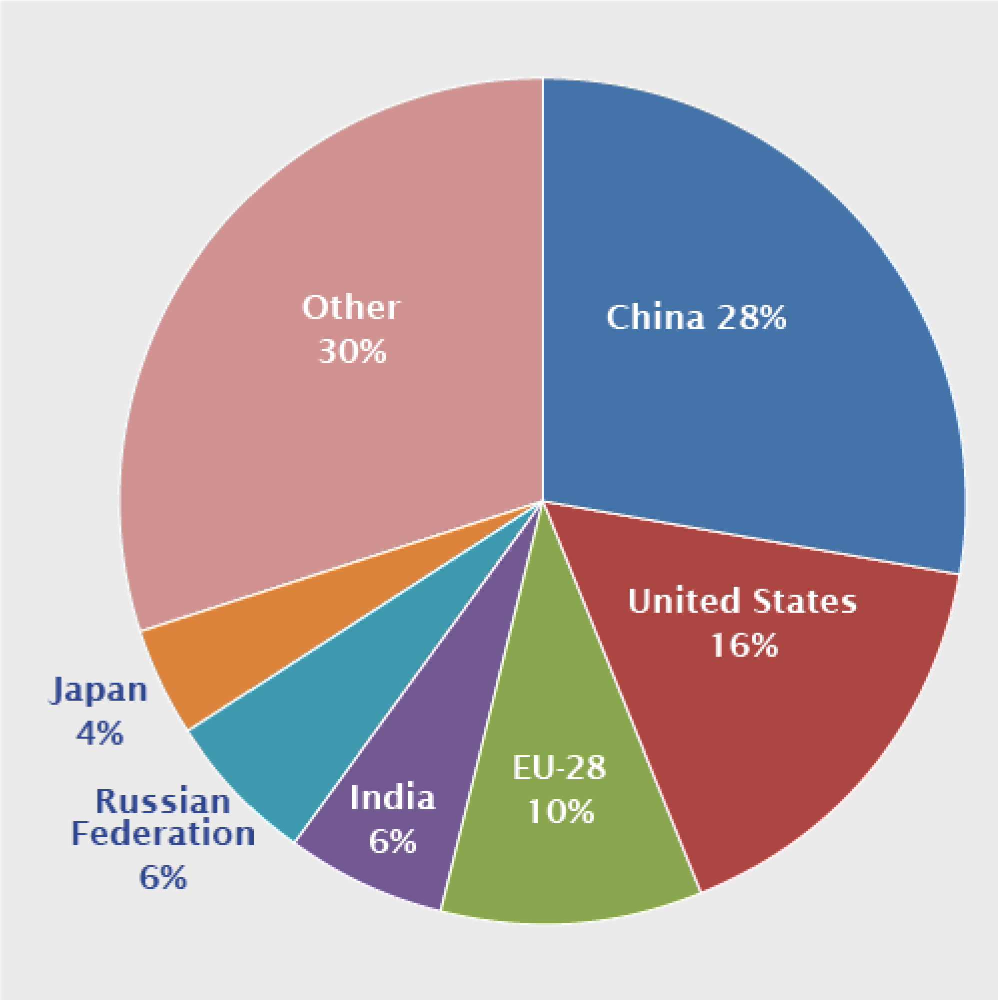
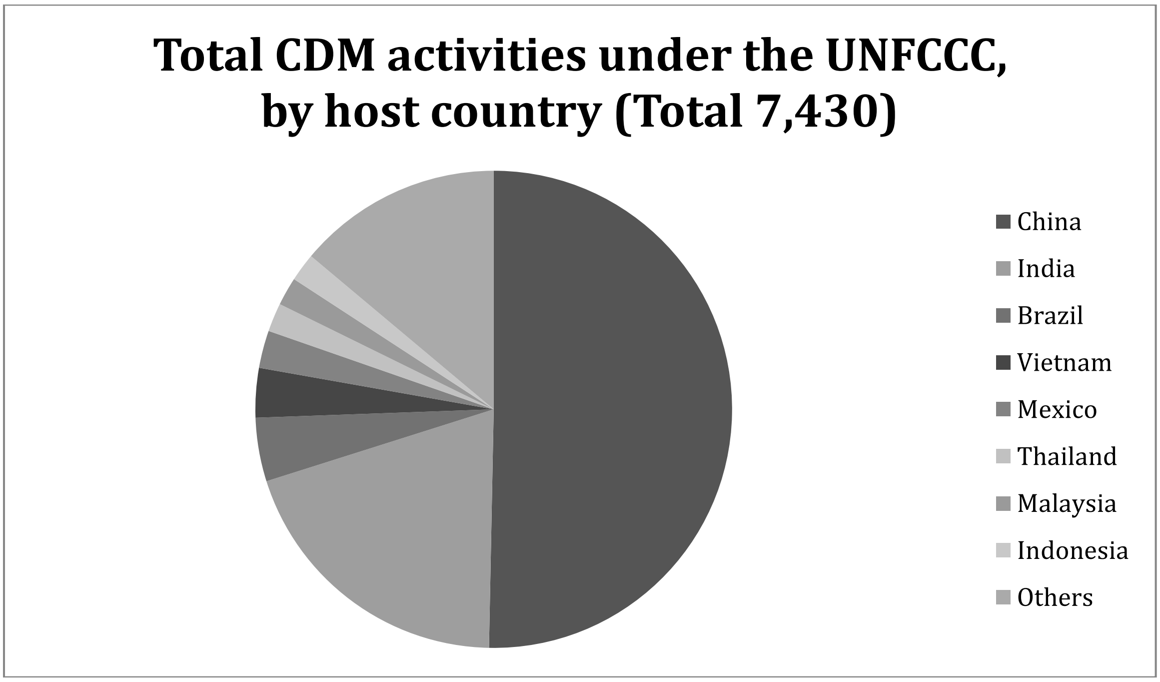


Table 1: Global Percentage of Emissions, Source: Boden, T.A., Marland, G., and Andres, R.J. (2015). National CO2 Emissions from Fossil-Fuel Burning, Cement Manufacture, and Gas Flaring: 1751-2011, Carbon Dioxide Information Analysis Center, Oak Ridge National Laboratory, U.S. Department of Energy, doi 10.3334/CDIAC/00001_V2015.

Moreover, China hosts more than half of UNFCCC's Clean Development Mechanisms (CDMs), one of the key market mechanisms introduced by the Kyoto Protocol. Under the CDM, Annex 1 (developed) countries could reduce their emissions by financing projects in non-Annex 1 countries, and have the emissions cut credited back to them. The majority of the CDMs being hosted in China attest to fact that the country is *perceived* to be important in climate change in the eyes of the Annex 1 (developed) countries. However, the reality is that CDM projects, which promote transfer of technology and know-how to the non-Annex 1 host country, are directed mainly to China and not to the small African states that have a more pressing need for such assistance. To sum up, China's soft power in climate change allows it not only leverage over the negotiations, but also substantial benefits from the CDM.

Figure 1: CDMs under UNFCCC by host country, Source: UNFCCC, 2014



These factors make China and, to a lesser extent, India crucial actors in climate change. The two countries are big players in the UNFCCC but they are also most vulnerable with their coastal regions host to much of their economic activities. Their reliance on fossil fuels also creates challenges for climate change mitigation. This is in contrast to Brazil, the 7th largest emitter of CO2 (2.34 percent of global emissions), which has a large hydropower industry, making it more environmentally friendly (EcoWatch, 2015). South Africa, for its part, ranks 15th with only 1.22 percent of global CO2 emissions (EcoWatch, 2015). Thus, China and India have more at stake for the success or failure of the climate change regime than other emerging powers. At the same time, they are the key forces behind the BASIC group and its influence in climate change negotiations.

Pragmatism over Identity?

China has traditionally aligned itself with the global South in the UNFCCC negotiations to ensure that its economic development is not hindered by international environmental protection agreements. While the decision to identify with the global South was somewhat ideological, stemming from China's semi-colonial history, it was also a strategic one. Alignment with the G77 made sense from a pragmatic point of view as the 155 developing countries of the non-Annex 1 list[15] made up the majority (78 percent) of the current 197 members (196 countries and one regional integration organization) in the UNFCCC.[16]

China's position in the G77 has been adapted to reflect its ascendancy in international affairs. The country's double digit economic development has led to some discomfort for China to remain in the developing country coalition group of the G77, particularly after the late 1990s and 2000s. There has been mounting pressure on China to assume a responsibility commensurate with its economic and military growth. It was this indirect pressure that led Beijing to enter into strategic minilaterals, first with the BASIC group of emerging powers before Copenhagen, followed by the LMDCs, and the US and France in the lead-up to Paris. China's international identity is a tool in this regard, as the country

[15] Non-Annex I countries are the developing countries from the global South.
[16] There are 21 Annex-I countries making them only 21percent of the UNFCCC total.

tactically enters into minilaterals with both the global South and the global North, to maximise its leverage and interests.

China's global finance regime

Emerging minilaterals in the global finance regime

As in the case of climate change, China has also sought to build on minilateral arrangements within the global finance regime; these, however, have epitomised in a new set of institutions, as opposed to mushrooming treaties and/or conventions. Moreover, it is ambiguity, uncertainty and frictions between existing structures and emerging actors, which characterize the current 'interregnum' in global finance (Helleiner 2010, in Huotari and Hannenmman 2014). The 2008-09 financial crisis brought to the fore the ongoing loss of legitimacy of the global economic regime established with the Bretton Woods institutions post-World War II. Emerging powers are among the disenchanted by an obsolete and idiosyncratic global finance regime that, till very recently, has failed to acknowledge global power and economic shifts.

The reality is that BRICS countries, except India, have all set up sovereign wealth funds (SWFs) and are keen to internationalise their multinational companies (Huotari and Hannemann 2014). In fact, the BRICS have become the main source of investment among themselves and in low-income countries (LICs) according to the UN Conference on Trade and Development (UNCTAD) (UNCTAD, 2015). The establishment of the New Development Bank (NDB) is another step forward in consolidating emerging economies as global investors in both developing and developed countries.

BRICS' lending has further become a source of pressure on - and potential alternative to - an international financial system where the traditional powers have been very slow to respond to both the political demands and economic needs of developing countries (Hochstetler 2014). There has been much literature and discussion on the absence of transparency, conditionalities and political requirements on the part of emerging donors' funding, in contrast to OECD Development Assistance Committee (DAC) donor members.[17]

According to Mwase & Yang (2012), BRICs' financing, with the exception of Russia, is based on a model of 'win-win' or 'mutual benefit'. Moreover, the focus has often been on productive activities, such as the infrastructure sector, and on the micro-sustainability of individual projects (Mwase & Yang, 2012). Chinese foreign aid, for example, does not include a focus on democracy, good governance or human rights and does not impose these standards on benefactors. This is done in an attempt to preserve the principle of non-interference in internal affairs and as a means to circumvent corruption. Instead, Beijing emphasises the importance of stimulating economic growth and implementing a development model based on each country's specific requirements and circumstances similar to their experience under the 'Beijing Consensus' or the Chinese model of development.

We see therefore that there has been much focus on the conditions attached to donor funding, less so to the actual target sectors of that funding. In the eyes of Beijing and emerging donors, more broadly, traditional donors have failed to invest enough in infrastructure throughout the past decade, with the exception of the ADB. Instead the trend of the traditional donors has been to focus on human (health, education and social protection) and sustainable development (agriculture, water and sanitation). Infrastructure remains an insufficiently addressed need (Chin, 2014). The World Bank estimated in 2014 that the global demand for infrastructure is at 1-1.5 trillion USD annually above current investment levels. In the Asia Pacific alone, the ADB forecasts that this figure is USD 750 billion

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[17] OECD donors follow the guidelines of the OECD Development Assistance Committee (DAC) whereby both aid donors and recipients must comply with a number of requirements.

through to 2020, to meet the 'required level' of infrastructure investment (Asian Development Bank, 2015).

This has partly to do with the decline in overall private sector investment in infrastructure, which explains the World Bank Group's increase in this sector since 2011. Before that, the focus was on agricultural development, education, energy, health, and transport projects (Chin, 2016). The World Bank aims to gradually counterbalance the infrastructure financing of the BRICS, despite the fact that it is still recovering economically post-2008-09 financial crisis.

It was during the 2010 Seoul Summit that the G20, currently one of the leading minilateral arrangements in global finance, emphasised that 'gaps in infrastructure, including with respect to energy, transport, communications, water and regional infrastructure, are significant bottlenecks to increasing and maintaining growth in many developing countries' (G20 Seoul Summit, 2010). African leaders were also among those that have pressed the G20 to seriously consider the need for additional financing in infrastructure building in developing countries. According to Chin (2014:368), however, it was as early as November 2008, during the first G20 leaders' summit in Washington D.C., when the then Indian Prime Minister Dr Manmohan Singh 'emphasized that part of the globally coordinated response to the crisis should include major infrastructure investment to drive global economic growth'. Despite many commitments, little happened thereafter. Instead, as a result of the 2008-09 financial crisis, the G20's focus was very much on macroeconomic imbalances, that is, on liberalization measures and institutional adjustments of developing countries. This agenda resembled that of Bretton Woods institutions, not so much one of an emerging minilateral arrangement.

What implications for China specifically?

So, how does China fit into the emerging global finance regime? How is Beijing seeking to acquire additional strategic responsibility in global finance?

Beijing sees the emergence of new IFIs as an additional channel beyond the IMF and the World Bank to promote its own form of development co-operation assistance. The idea is not for these new institutions to replace the Bretton Woods framework, a US-led regime in which China has thrived and with which it is interdependent (Lagerkvist 2015). Instead, these new IFIs are seen as a complement through which Beijing can continue to provide development co-operation assistance, which it brands as 'foreign economic assistance' (FEA).

FEA is considered as one element, among others, within China's economic statecraft; the latter includes official loans at commercial rates, export credits and suppliers' credits (Information Office of the State Council (PRC), 2014). Beijing frames its FEA as South-South cooperation based on the following principles: mutual respect, equality, keeping promise, mutual benefits and a win-win situation (Information Office of the State Council (PRC), 2014). This is very much in line with the doctrine of the Five Principles of Peaceful Co-Existence, at the heart of Beijing's foreign policy (Duara, 2009).[18] China traditionally shies away from establishing a hegemonic relationship with less developed countries and seeks a partnership between developing countries instead. In fact, China still defines itself as 'the world's largest developing country' (Information Office of the State Council (PRC), 2014). This was also the case in its relationship with other actors involved in climate change negotiations, as explored above.

In the Chinese context, foreign economic assistance figures are confusing and contradictory, often hard to discern from foreign direct investment (FDI). This has partly to do with the prevailing political

[18] The treaty is known as the Agreement between the Republic of India and the PRC on Trade and Intercourse between India and the Tibet Region of China, or Panchasheela (1954). It eventually became the founding pillar for Chinese foreign policy, valid to this day.

aversion towards excessive transparency and also the difficulty of dividing state and private investment (Shambaugh, 2013). Chinese aid flows were first made officially public by the Chinese government as late as during April 2011 in its first White Paper on Foreign Aid; the second one followed in 2014. The secrecy in numbers is also linked to China's financing packages or its so-called 'Angola-mode' of financing where it is virtually impossible to distinguish between bilateral aid and suppliers/construction contracts (Mlachila and Tabeke, 2011:11).

According to the 'Angola mode' of financing, the bulk of which has been undertaken during the first decade of the 21st Century, Beijing establishes framework agreements with countries to undertake a development project in exchange for access rights to natural resources, such as oil or minerals. No money is used in the process. Instead, the Chinese company that has been awarded the construction project further acquires the right to exploration and/or production. Bräutigam and Gallagher (2014) refer to it as 'commodity-backed' or 'resource-secured' package loans. They are rarely concessional, given on a low interest rate loan. According to this same source, 'more than 50 per cent of Chinese finance in Africa and Latin America is in the form of commodity-backed loans' (Bräutigam and Gallagher 2014:348).

Another key source of Chinese financing belongs to the so-called 'other official flows' (OOF), which includes Beijing's medium and long-term export credits. This is more important than its official development assistance (Huotari and Hanemann 2014). In contrast, what Beijing terms as foreign assistance, was based on grants, interest-free loans and concessional loans from 2010 to 2012 (Information Office of the State Council (PRC), 2014).

China stands out among emerging investors, having become a global leader in infrastructure investment finance. Beijing is not trying to usurp the system but rather to challenge aspects that discriminate against it. China is in the process of creating new arrangements that more accurately reflect its own conception of its place in the world. Moreover, despite its well-known role as global investor in Africa and Latin America, Beijing has now chosen to proportionately expand its economic investment in its neighbourhood and developed regions (Mlachila & Tabeke, 2011).

Bilaterally, China operates via the China Development Bank (CDB) and China Eximbank. Through the latter it provides medium-term strategic financing, usually as part of China's five-year plans (Bräutigam and Gallagher 2014). For China, the so-called BRICS Development Bank [New Development Bank] is a way to secure resources, build stronger ties with developing countries and redirect its foreign currency reserves for productive purposes (Chin 2014). Without China, the success of the NDB is questionable, particularly from a financial resource standpoint. Not coincidentally, its headquarters have been set up in Shanghai. The so-called BRICS Bank is less significant for Beijing's quest for strategic responsibility than the establishment of the AIIB and the Silk Road Fund (SRF).

AIIB and BRI

The establishment of the Beijing-based AIIB constitutes a crucial stepping stone for China in two ways: (i) as a means to acquire broader and durable responsibility in global economic governance; (ii) as a way to secure financing of infrastructure building throughout a broad range of countries, not only in LICs. The AIIB defines itself as a multilateral development bank with 56 founding member countries, including several traditional Western powers [France, Germany, Italy and the UK], despite the lobbying against it by the United States (Asian Infrastructure Investment Bank, 2015). Like in the case of the African Development Bank (AfDB), at least 75 percent of the votes have been reserved for Asian members at the AIIB. This clear regional influence over the AIIB implies that it will run according to Chinese and, by extension, Asian multilateralism. China constitutes the largest shareholder with 30.34 percent of shares (Chin, 2016).

The AIIB further aims to achieve a more lenient and effective management system based on two boards, both non-resident. The larger Board of Governors shall delegate the bulk of its management and decision-making processes to a smaller Board of Directors and the bank president. By doing so, the AIIB aims to achieve as much of an effective and satisfactory service as possible in the eyes of its members and borrowers. Part of the frustration of recipient governments towards the World Bank stems from its prolonged project appraisals, which has delayed World Bank infrastructure project approvals by years (Chin 2016). It is yet to be seen how the Chinese will go about the avoidance of 'conditionalities' for AIIB loans and 'moral hazard' on loan repayments. The challenge of how to allocate the bank's funds to the most appropriate projects in the least amount of time and ensuring repayment remains (Chin 2016).

The AIIB's first Article of Agreement focuses on the wish to 'foster economic development, sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors;…' (Asian Infrastructure Investment Bank, 2015). The notion of 'infrastructure connectivity' is nothing new in Chinese foreign policy. In fact, it lies at the heart of the Belt Road Initiative (BRI). BRI's aim is to increase trade and investment along China's periphery by funding and building infrastructure projects; it is part of its so-called 'peripheral diplomacy'. BRI could well use substantial financing from the AIIB in the coming years or decades. According to Callahan (2016), the AIIB, combined with the BRICS New Development Bank and the Silk Road Fund were all designed by China to fund BRI.

The initiative goes much beyond mere economic purposes: it signals Beijing's wish to bring its neighbouring countries into a network of economic, political, cultural, and security relations with China at the centre (Callahan 2016). Thus, it reverberates old notions of China's historical Silk Road, including some ancient maritime routes between China and Europe, as well as the Silk Road's known trails overland. There is no official number of countries that lie along BRI, it being rather amorphous, but it is estimated to be a figure around sixty (The Economist, 2016). Beijing aims to spend a total of USD 4 trillion in BRI countries, with 900 deals already under way (The Economist, 2016).

Some have branded it as China's 'Marshall Plan'; it lies at the heart of Mr. Xi's foreign policy and his plans to expand not only Beijing's commercial interests, but also its soft power. The BRI route will likely contribute to increasing Beijing's much sought international status and recognition for a new place in the world. It is also part of a grand strategy where China aims to use connectivity projects to socialize Asia and Europe into its view of global order, which entails improving the world through its ideas, aspirations and norms. Beijing dreams to achieve the 'great rejuvenation of the Chinese nation' (Callahan, 2016).

We see, therefore, that the AIIB epitomises much more than just another minilateral [*vs. multilateral*] development bank. For one, it is very much China's indication to an increasingly leading role in regional/global economic governance. For two, it epitomises Beijing's current foreign policy ambitions, which may encompass challenging the dominant normative world order and building a new one altogether. China's promotion of new international institutions and initiatives is not in vain. The global finance regime gives us a fabulous example of how these new minilateral institutions are providing China with the global leeway that it was looking for, by discreetly pulling strings to its advantage; very much global finance à la Chine.

Conclusion

This paper has examined a wide array of examples of China's à la carte multilateralism, which have epitomised in the form of minilateral arrangements and institutions. Minilateralism allows China to pick and choose its 'allies' according to the issue area and context, and in order to suit its own needs. China's selective choice of international alliances, with a view to growingly influence the global agenda, has become visible in the fields of climate change and global finance.

These minilateral strategies are particularly obvious in a global finance regime where China has much to gain. Aside from its complex model of international development finance that interweaves foreign aid with FDI flows, Beijing is asserting its economic approach by reforming and creating alternative institutions such as the BRICS New Development Bank and the AIIB. Both of the latter tie in well with Beijing's international financial interests and complex combination of public and commercial banking arrangements.

In the case of the climate regime, Beijing wants to mitigate the effects of climate change without risking slowing down economic development. China has eventually opted to encourage the reform of the UNFCCC in order to reach an agreement better suited to its climate change concerns (i.e. 2015 Paris Agreement). Minilateral arrangements with the BASIC and LMDCs, and in alliance with the US, proved crucial to reaching a multilateral consensus. A renewed China-US alliance on climate change, however, is hard to imagine following the coming to power of the Trump Administration. This goes to show the unpredictability of minilateral arrangements.

In both cases, Beijing has shown an interest and actually managed to become a crucial international player and stakeholder. Not coincidentally, both climate change and development finance lie at the core of Beijing's national interest. Motivations aside, Beijing proved crucial in recent negotiations on climate change as part of the Paris Agreement. Similarly, China's BRI and the creation of the AIIB that has gone beyond the scope of 'Asia' in membership, show that it can influence global trends in international regimes.[19]

This choice, however, is selective. Beijing does not show the same interest in sensitive political issues such as domestic political reform or human rights. To China, these are 'internal affairs' thus, it will not actively seek to take leadership in such areas. This selective interest in global issues lies at the core of its global role thus far. Yet, as constructivists would put it, this international interface does not go one way only. China has become a global influencer; so will it be influenced by global norms at domestic level. How and to what extent, remains the question. Key to global governance is that Beijing's more or less coherent form of minilateralism, despite its peculiarities, has actively brought China into the multilateral system beyond its pivotal role in international trade or the UN Security Council. Changing times.

Beijing is now part and parcel of global governance in its own minilateral way, à la Chine. China is seeking to maximise its interests via minilateral arrangements and institutions, which reform the *status quo* or, alternatively, create new paths that better reflect Chinese interests and ideas. Beijing's much sought for international relevance in both climate change and global finance is finally bearing its fruits. Thus, minilateralism constitutes not only a strategic challenge to the existing institutions but also a new normative leeway with global outreach. Only time will tell whether Beijing's version of global finance and climate change will become the 'new normal' within global governance.

[19] According to the AIIB, membership has reached 70 members (July 2017). See: AIIB website, https://www.aiib.org/en/news-events/news/2017/20170323_001.html

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